MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

T2, 2017/ 2018

BAM7014 – ACCOUNTING FOR MANAGERS

(MBA Full Time)

7 FEBRUARY 2018
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **SIX (6) pages** (including cover page) with 4 questions only.

2. Answer **ALL** questions. The marks distributions are given in parentheses.

3. Write all your answers in the **Answer Booklet** provided.

QUESTION 1 (25 marks)

Ghazibo Asia Bhd is a listed company with Bursa Malaysia. The company has been in business for last 30 years. The company has been facing problems in the market as the customer feedback was that its products are highly priced than its competitors. The profitability of the company has been declined to the drop in sales for last one year. On the recommendation of the consultant, the company has adopted Activity-Based Costing (ABC) for accurate product costing.

Ghazibo Asia Bhd produces two products: washing soap and sanitizer. During September, 2017, 32,000 containers of washing soap and 24,000 containers of sanitizer were produced. Total overhead costs of RM136,000 were incurred. The following information related to overhead costs were available:

Activity	Cost Driver	Total Cost in RM
Materials handling	Number of requisitions	28,000
Machine setups	Number of setups	48,000
Quality inspections	Number of inspections	60,000

The cost driver volume for each product was as follows:

Cost Driver	Washing Soap	Sanitizer	Total
No. of requisitions	100	60	160
No. of setups	48	52	100
No. of inspections	360	640	1,000

Required:

a) Compute the overhead rate for each activity.

(6 marks)

b) Assign the manufacturing overhead cost for September 2017 to the two products using ABC and determine the overhead cost per unit.

(9 marks)

c) Discuss why companies need ABC as a new approach and also discuss three benefits and two limitations of ABC.

(10 marks)

(Total Marks: 25)

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QUESTION 2 (25 marks)

Stabler Malaysia Bhd is a manufacturing firm and it produces spare parts which are used in automobile products. For last three years, the company has been facing a rough weather in its busines due to acute competition. Only during 2017, the company business has shown an increasing trend. The company has provided the following information for the month of May 2017:

Cost Information	Amount (RM)
Factory supplies used	22,000
Depreciation on factory building	10,000
Commissions for sales personnel	32,000
Salary of company CFO	9,000
Factory janitorial costs	3,000
Research and development	5,000
Depreciation on corporate office	8,500
Advertising costs	2,500
Direct labor cost	40,000
Purchases of raw materials	15,000
Finished goods inventory units, May 1	4,000
Finished goods inventory units, May 31	6,500
Finished goods inventory, May 1	36,000
Finished goods inventory, May 31	59,865
Work in process inventory, May 1	7,500
Work in process inventory, May 31	3,300
Materials inventory, May 1	2,100
Materials inventory, May 31	4,200

Required:

a) Prepare a Statement of Cost of Goods Manufactured. (5 marks)

b) Calculate the cost of one unit assuming 10,000 units were completed during May. (2 marks)

c) Prepare a Statement of Cost of Goods Sold (4 marks)

d) Prepare an Income Statement assuming the sales price per unit is RM35. The number of units sold were 7,500. (10 marks)

e) Distinguish with examples between a product cost and period cost. (4 marks)

(Total Marks: 25)

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QUESTION 3 (25 marks)

A. Pahang Automobile Company Bhd is projecting a cash budget of RM60,000 in its December 31, 2016, balance sheet. Penang company's scheduled of expected collections from customers for the first quarter of 2017 shows total collections of RM360,000. The schedule of expected payments for direct materials for the first quarter of 2017 shows a total payments of RM82,000. Other information gathered for the first quarter of 2017 is sale of equipment RM6,000; payment to direct labour RM140,000, manufacturing overhead RM70,000, selling and administrative expenses RM90,000, and purchase of securities RM28,000. Pahang Automobile Company wants to maintain a balance of at least RM50,000 cash at the end of each quarter.

Required:
Prepare a cash budget for the first quarter of 2017 for Pahang Automobile Company Bhd.

(10 marks)

B. One of the problems with the participative budgeting is that it provides an opportunity for managers to build slack (padding the budget) into the budget.

Required:
Discuss, with an example, how managers create slack into the budgets?

(8 marks)

C. Joshi International Company which was established in 2013 requires its marketing managers to submit estimated cost-volume-profit data on all requests for new products, or expansions of a product line.

Chong is a new manager. Her calculations show a fixed cost for a new project at RM100,000 and a variable cost of RM5. Since the selling price is only RM15 for the proposed product, 10,000 would need to be sold to break even. That is approximately twice the volume estimate for the first year. She shares her dismay with Sarala, another manager.

After a lot of discussions between them, Sarala strongly advises Chong to revise her estimates. She points out that several of the costs that had been classified as fixed costs could be considered variable, since they are step costs and mixed costs. When the data has been revised classifying those costs as variable costs, the project appears viable.

Required:
i. Identify the main stakeholders in this decision? (2 marks)

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ii. Explain briefly whether it would be ethical for Chong to revise the costs as indicated? Briefly explain. (3 marks)

iii. Advise what should Chong do? (2 marks)

(Total Marks: 25)

QUESTION 4 (25 marks)

A. Ameera Mohammed Cyberjaya Bhd was established in 2007 as a consumer goods company in Cyberjaya, Selangor state. Since then the company has been continously growing as it has launched several products in the market. Ameera Mohammed Cyberjaya Bhd has followed a decentralized structure for its operations and it has two divisions X and Y. From time to time and specially during training programmes, the CEO of the company has been emphasizing on the continuous improvements in performance and brand image of the company. The following are the data for 2017 for both the divisions. As a manager of the company, you have been asked to evaluate the performance based on various criteria.

Items	Division X (RM '000)	Division Y (RM '000)
Sales	400,000	300,000
Contribution margin	160,000	125,000
Operating income	80,000	30,000
Average operating assets	320,000	200,000
Cost of capital	15%	15%

Ameera Mohammed Cyberjaya Bhd has a target Return on Investment (ROI) of 20%.

Required:

a) Based on the above information, calculate the following amounts for each division:

i. Margin ratio (2 marks)
ii. Turnover ratio (3 marks)
iii. ROI (3 marks)
iv. Residual income (4 marks)
v. Economic value added (EVA) (4 marks)

b) Critically evaluate the performance of both the divisions. (2 marks)

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B. Timur Plastic Malaysia Bhd is a manufacturing company and it needed to determine if it would be cheaper to make 10,000 units of a component in house- or purchase them from an outside supplier for RM4.75 each. Cost information on internal production includes the following:

Cost Element	Total Cost (RM)	Unit Cost (RM)
Direct material	10,000	1.00
Direct labor	20,000	2.00
Variable overhead	8,,000	0.80
Fixed overhead	44,000	4.40
Total	**RM82,000**	**RM8.20**

Fixed overhead includes RM10,000 of cost that can be avoided if the component is purchased externally.

Required:

Explain which alternative is more cost effective and by how much?

(7 marks)

(Total Marks: 25)

End of Paper